

# SENATE BILL 938

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2lr2844  
CF HB 1059

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By: **Senator Mathias**

Introduced and read first time: February 13, 2012

Assigned to: Rules

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## A BILL ENTITLED

1 AN ACT concerning

2 **Property and Casualty Insurance – Rescission of Policy or Binder –**  
3 **Authorized**

4 FOR the purpose of authorizing an insurer to rescind a policy or binder of personal  
5 insurance, commercial property insurance, or commercial liability insurance if  
6 the applicant's initial premium payment is made by a check that is dishonored  
7 and returned by a financial institution for a certain reason; requiring that an  
8 insurer, to rescind the policy or binder, send a certain notice to the applicant  
9 within a certain period of time, in a certain manner, and to a certain address;  
10 requiring the notice to contain certain statements; providing for the application  
11 of this Act; and generally relating to the rescission of policies and binders of  
12 property and casualty insurance.

13 BY repealing and reenacting, without amendments,  
14 Article – Insurance  
15 Section 12–106(a) and (b)  
16 Annotated Code of Maryland  
17 (2011 Replacement Volume)

18 BY adding to  
19 Article – Insurance  
20 Section 12–106(j)  
21 Annotated Code of Maryland  
22 (2011 Replacement Volume)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
24 MARYLAND, That the Laws of Maryland read as follows:

25 **Article – Insurance**

26 12–106.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) In this section, "personal insurance" means property insurance or  
2 casualty insurance issued to an individual, trust, estate, or similar entity that is  
3 intended to insure against loss arising principally from the personal, noncommercial  
4 activities of the insured.

5 (b) This section applies only to a binder or policy, other than a renewal  
6 policy, of personal insurance, commercial property insurance, and commercial liability  
7 insurance.

8 **(J) (1) AN INSURER MAY RESCIND A POLICY OR BINDER IF THE**  
9 **APPLICANT'S INITIAL PREMIUM PAYMENT FOR THE POLICY OR BINDER IS MADE**  
10 **BY A CHECK THAT IS DISHONORED AND RETURNED BY A FINANCIAL**  
11 **INSTITUTION AS UNPAID BECAUSE OF INSUFFICIENT FUNDS IN THE ACCOUNT**  
12 **ON WHICH THE CHECK IS DRAWN.**

13 **(2) TO RESCIND A POLICY OR BINDER, AN INSURER SHALL SEND,**  
14 **WITHIN 10 DAYS AFTER RECEIPT OF A NOTICE OF INSUFFICIENT FUNDS,**  
15 **WRITTEN NOTICE TO THE APPLICANT, BY CERTIFICATE OF MAIL, TO THE**  
16 **APPLICANT'S LAST KNOWN ADDRESS, STATING THAT:**

17 **(I) THE POLICY OR BINDER IS RESCINDED AS OF ITS**  
18 **PROPOSED EFFECTIVE DATE BECAUSE THE APPLICANT'S CHECK FOR THE**  
19 **INITIAL PREMIUM PAYMENT WAS DISHONORED AND RETURNED BECAUSE OF**  
20 **INSUFFICIENT FUNDS; AND**

21 **(II) NO COVERAGE IS IN EFFECT UNDER THE POLICY OR**  
22 **BINDER.**

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all  
24 policies and binders of personal insurance, commercial property insurance, and  
25 commercial liability insurance issued, delivered, or renewed in the State on or after  
26 October 1, 2012.

27 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
28 October 1, 2012.